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PASS FEDERAL RESERVE BOARD, COUNCIL OF ECONOMIC ADVISORS:
PASS WHITE HOUSE FOR HENRY OWEN

E.O. 11652: N/A
TAGS: EFIN, UK, PINT, ECON
SUBJECT: BREMEN SUMMIT PRESS COVERAGE

SUMMARY: THE FOLLOWING THREE ARTICLES ON THE BREMEN SUMMIT APPEARED IN THIS MORNING'S PAPERS. THE FIRST, COMPOSED BY PETER JENKINS, WHO IS GENERALLY REGARDED AS HAVING EXCELLENT SOURCES IN THE LABOR GOVERNMENT, CONCENTRATES ON PRIME MINISTER CALLAGHAN'S PERSONAL REACTIONS TO THE FRENCH/GERMAN MONETARY PROPOSALS. THE ARTICLES IN THE FINANCIAL TIMES AND THE TIMES ARE LESS PER-
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SONAL. HOWEVER, THE FORECAST OUTCOME OF THE CONFERENCE DOES NOT DIFFER GREATLY BETWEEN THE GUARDIAN AND THE FINANCIAL TIMES VERSIONS. END SUMMARY

1. THE GUARDIAN STORY HEADLINED:
QUOTE: CALLAGHAN SET TO PROVOKE SPLIT IN EEC.
BRITAIN IS ON THE VERGE OF A NEW AND SERIOUS QUARREL

WITH HER EUROPEAN PARTNERS. IT COULD BE THE MOST SERIOUS SINCE THE LABOUR GOVERNMENT UNDER SIR HAROLD WILSON INSISTED ON RENEGOTIATING THE TERMS OF MEMBERSHIP OF THE COMMUNITY.

MR. CALLAGHAN ARRIVED IN GERMANY FOR THE COMMUNITY SUMMIT YESTERDAY PREPARED TO PLACE VIRTUALLY IMPOSSIBLE PRECONDITIONS UPON BRITISH PARTICIPATION IN A EUROPEAN CURRENCY STABILISATION SCHEME FAVOURED BY CHANCELLOR SCHMIDT AND PRESIDENT GISCARD.

HE WAS ALSO ANNOYED AT NOT BEING CONSULTED MORE FULLY BY HIS TWO SENIOR PARTNERS. THE PRIME MINISTER INDICATED HIS DISPLEASURE BY REFUSING TO TAKE PART IN A PRE-SUMMIT MEETING A TROIS. MR. CALLAGHAN DECLARED THAT HE HAD TO ATTEND AN IMPORTANT MEETING OF THE BRITISH CABINET YESTERDAY MORNING AND COULD NOT LEAVE EARLIER FOR GERMANY. INSTEAD, THE BIG THREE GOT TOGETHER BEFORE DINNER IN BREMEN LAST NIGHT.

THE BRITISH CONTINGENT WERE NOT LOOKING FOR A CONFRONTATION AT THE SUMMIT HERE IN BREMEN, WHICH WAS INTENDED TO ACHIEVE A SHOW OF EUROPEAN UNITY ON THE EVE OF THE WESTERN ECONOMIC SUMMIT, WHICH IS TO TAKE PLACE IN BONN ON JULY 16. THEY ARRIVED HOPING THAT THEIR PARTNERS WOULD AGREE TO REFER THE CURRENCY QUESTION BACK TO THE COMMUNITY'S FINANCE MINISTERS FOR OPEN-MINDED CONSIDERATION. BUT IF THE GERMANS AND THE FRENCH ATTEMPTED TO ROLL THEIR VEHICLE FORWARD WITHOUT HIM, MR. CALLAGHAN

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WAS QUITE PREPARED TO PUT HIS SPOKE IN THEIR WHEEL.

HE WAS PREPARED NOT ONLY TO REOPEN FUNDAMENTAL QUESTIONS CONCERNING THE COMMON AGRICULTURAL POLICY AND THE SCALE OF CONTRIBUTIONS TO THE COMMUNITY BUDGET. HE WAS ALSO PREPARED IF NECESSARY TO REOPEN THE SORE QUESTION OF THE BALANCE-OF-PAYMENTS COSTS OF THE BRITISH ARMY ON THE RHINE. ACCORDING TO MINISTERS, THESE CONTRIBUTE 500 MILLION POUNDS A YEAR TO THE ALREADY HUGE GERMAN SURPLUS.

IN LONDON BEFORE SETTING OUT BRITISH OFFICIALS WERE PLAYING DUMB, CLAIMING THAT, AS FAR AS THEY WERE AWARE, THERE WAS NO SUCH THING AS A DETAILED "SCHMIDT PLAN," THAT MATTERS HAD NOT MOVED MUCH FURTHER FORWARD SINCE THE COPENHAGEN SUMMIT IN APRIL. IN FACT, OFFICIALS WERE CLOSELY BRIEFED ON THE LATEST DEVELOPMENTS, AND MINISTERS ENGAGED IN AN INTENSE DISCUSSION AS TO HOW BEST TO HANDLE WHAT HAD BECOME A TREACHEROUS AFFAIR.

THE ESSENCE OF THE "SCHMIDT-GISCARD PLAN" -- AS NOW IT SHOULD BE DUBBED -- IS AS FOLLOWS:

- THE STRONG CURRENCIES PRESENTLY MEMBERS OF THE "SNAKE" SHOULD KEEP CLOSER TOGETHER -- WITHIN 2 PERCENT OF EACH OTHER;
- THE NON-SNAKE CURRENCIES, INCLUDING THE POUND,

SHOULD FLOAT WITH THE WIDER MARGIN OF 4 PERCENT;
-- THE STANDARDS AROUND WHICH THE FLUCTUATIONS TAKE
PLACE TO BE CHANGED ONLY BY MUTUAL AGREEMENT;

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-- PARTICIPATING COUNTRIES TO DEPOSIT, SAY, 20 PER-
CENT OF THEIR RESERVES IN A COMMON POOL;
-- THIS POOL TO FORM THE EMBRYO OF A EUROPEAN RE-
SERVE BANK, WHICH WOULD ISSUE A COMMON, PARALLEL,
CURRENCY -- THE EUROPA;
-- COORDINATION OF INTERVENTIONS AGAINST THE DOLLAR.
THE IDEA WOULD BE FOR THE WEAKER CURRENCIES GRADUALLY,
OVER A TRANSITIONAL PERIOD, TO ACCEPT THE FULL DISCI-
PLINE OF THE SYSTEM, WITH EVERYBODY EVENTUALLY FLUCTU-
ATING WITHIN A MARGIN OF NO MORE THAN 1 PERCENT.
THE CONDITIONS ATTACHED BY THE BRITISH TO PARTICIPA-
TION IN THIS KIND OF CURRENCY REGIME ARE VIRTUALLY TANTA-
MOUNT TO A SECOND RENEGOTIATION OF THE TERMS OF BRITISH
COMMUNITY MEMBERSHIP.
CURRENCY STABILISATION ARRANGEMENTS, SAY THE BRITISH,
MUST ON NO ACCOUNT BE DEFLATIONARY IN THEIR EFFECT UPON

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THE ECONOMIES OF THE WEAKER MEMBERS OF THE COMMUNITY. TO ENSURE THIS, CREDIT ARRANGEMENTS, OF WHATEVER MAGNITUDE, WILL NOT BE ENOUGH. IF THE WEAKER CURRENCIES ARE TO BE EXPECTED TO MAINTAIN LINKS WITH THE STRONGER ONES, IN EFFECT THE DEUTSCHMARK, THERE WOULD HAVE TO BE "SUBSTANTIAL TRANSFERS" FROM THE RICHER COUNTRIES TO THE POORER.

WHAT THE BRITISH CALL TRANSFERS, THE GERMANS ARE SOME TIMES INCLINED TO CALL HANDOUTS. THERE IS BOUND TO BE ENORMOUS IRRITATION THAT, AT A TIME WHEN THE GERMANS AND FRENCH BELIEVE THEMSELVES TO BE EMBARKING UPON A BOLD AND IMAGINATIVE SCHEME TO RESTORE THE MOMENTUM OF EUROPEAN UNITY, THE BRITISH SHOULD SEEM TO BE REOPENING WELL WORN GRIEVANCES OF ANOTHER KIND.

THE BRITISH, FOR THEIR PART, SEE GERMAN SELF-INTEREST THINLY DISGUISED BY A VEIL OF COMMUNITY SPIRIT.

MOREOVER, ANY SCHEME WHICH HELPS TO PREVENT THE DEUTSCHMARK FROM APPRECIATING AGAINST THE DOLLAR ENABLES GERMAN INDUSTRY TO COMPETE MORE KEENLY WITH BRITISH AND OTHER COUNTRIES STRUGGLING TO KEEP DOWN THEIR LEVELS OF UNEMPLOYMENT. MR. CALLAGHAN IS SIMPLY NOT PREPARED TO PRESIDE OVER THE DE-INDUSTRIALISATION OF BRITAIN WHICH, HE BELIEVES, WOULD BE THE EFFECT OF CURRENCY STABILISATION WITHOUT A CORRESPONDING TRANSFER OF REAL RESOURCES.

THE REAL HORROR -- FROM LONDON'S POINT OF VIEW -- WOULD BE A SCHEME WHICH, THROUGH THE POOLING OF RESERVES, WOULD STRENGTHEN THE ABILITY OF THE GERMANS TO HOLD THEIR EXCHANGE RATE DOWN, SO AS BETTER TO PENETRATE OTHER PEOPLE'S MARKETS. STRONG LANGUAGE IS USED IN LONDON TO GIVE VENT TO FRUSTRATION AT THE IRON RESISTANCE OF THE FEDERAL CHANCELLOR TO TAKING STEPS TO REDUCE THE GERMAN SURPLUS. HE IS ACCUSED OF "ANTI-SOCIAL BEHAVIOUR," AND HIS PROPOSALS FOR GREATER CURRENCY STABILISATION ARE SUSPECT AS A SCHEME FOR CONTINUING TO RUN A HUGE SURPLUS

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WHILE AVOIDING ITS PAINFUL CONSEQUENCES. IN OTHER WORDS, HE IS "EXPORTING UNEMPLOYMENT."

THESE RESENTMENTS WERE BUBBLING IN MR. CALLAGHAN AS HE SAT DOWN TO DINNER IN THE BREMEN RATHAUS LAST NIGHT, BUT AT THE SAME TIME HE WAS WARY OF THE DANGERS OF ISOLATION. AT THIS STAGE, HE WILL PROBABLY SWALLOW HIS RESENTMENTS, AND PLAY ALONG AT LEAST UNTIL THE GENERAL ELECTION IS OVER.

AS THE HEADS OF GOVERNMENT SAT DOWN FOR DINNER THEIR

HOST, CHANCELLOR SCHMIDT, WAS PLANNING TO SUGGEST A POLITICAL COMMITMENT IN PRINCIPLE TO A SCHEME ALONG THE LINES PROPOSED BY HIMSELF AND THE FRENCH PRESIDENT. THIS WOULD BE REFERRED BACK TO COMMUNITY INSTITUTIONS, WHO WOULD HAVE UNTIL OCTOBER TO WORK OUT DETAILS. THE PLAN WOULD BE FULLY AGREED AT THE SUMMIT IN BRUSSELS IN DECEMBER, AND COME INTO FORCE ON JANUARY 1.

THE BRITISH HAD ARRIVED IN BREMEN LOOKING FOR A MUCH VAGUER CONCLUSION. IT IS BY NO MEANS CERTAIN WHETHER OFFICIALS, WORKING INTO THE NIGHT, WILL BE ABLE TO PRODUCE A FORM OF WORDS WHICH MR. CALLAGHAN COULD SUPPORT IN THE PLENARY SESSION TODAY.

IF THE VOTE WERE 8-1 -- THE BRITISH DISSENTING -- PRESIDENT GISCARD MIGHT INSIST ON GOING AHEAD WITHOUT THE BRITISH. HE IS EAGER TO ENTER INTO A NEW CURRENCY REGIME THIS YEAR.

THE BRITISH HAD HOPED TO SEE THE WHOLE MATTER REFERRED BACK TO FINANCE MINISTERS ON THE BASIS OF AN OPTION PAPER DRAWN UP BY THE EEC MONETARY COMMITTEE. BUT, WHETHER THEY LIKE IT OR NOT, THE SCHMIDT INITIATIVE AT COPENHAGEN IS PROGRESSING ON PARALLEL LINES. ONE LINE RUNS THROUGH THE COMMUNITY INSTITUTIONS, THE OTHER THROUGH THE BIG THREE WHO, AFTER COPENHAGEN, APPOINTED THEIR OWN "THREE WISE MEN" TO CARRY FORWARD THE ENTERPRISE.

IT IS ALONG THIS SECOND LINE, THE MORE IMPORTANT BACK CHANNEL, THAT BRITAIN'S RELATIONS WITH HER SENIOR

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PARTNERS WENT WRONG. PARTLY THIS WAS DUE TO MR. CALLAGHAN'S HOSTILE INITIAL REACTION TO THE SCHMIDT AND GISCARD PLAN, WHICH LED THEM TO WONDER HOW MUCH PROGRESS THEY WOULD BE ABLE TO MAKE ON A TRILATERAL BASIS.

MR. CALLAGHAN, FOR HIS PART, BELIEVED THAT IT HAD BEEN FIRMLY UNDERSTOOD AT COPENHAGEN THAT THERE WOULD BE NO MORE BILATERAL DEALINGS. THAT IS WHY HE IS ANGRY NOW AT WHAT HE BELIEVES TO BE DEALINGS BEHIND HIS BACK.

WHAT WE ARE SEEING IS A NEW "TWO-TIERED" EUROPE STRUGGLING TO EMERGE FROM THE OLD EUROPE.

ALTHOUGH THERE MAY BE SOME SHARP OR SULLEN EXCHANGES IN BREMEN IT IS NOT LIKELY THAT THE GERMANS AND FRENCH WILL WANT TO COURT A BRITISH VETO AT THIS STAGE. THE BRITISH SUSPECT THAT PRESIDENT GISCARD IN HIS HEART WOULD PREFER MORE FLEXIBLE ARRANGEMENTS -- ALONG THE LINES ENVISAGED BY THE BRITISH -- TO THE HAZARDS OF HITCHING THE UNCLASSIFIED

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FRANC ONCE MORE TO THE DEUTSCHMARK. EUROPEAN OBSERVERS SAY THIS IS WIDE OF THE POINT AND A POTENTIALLY DISASTROUS MISREADING OF THE FRENCH.

THERE IS ALSO A GOOD DEAL OF RESENTMENT HERE AMONG THE SMALLER POWERS AT THE CLOSE-CHESTED WAY THE BIG THREE HAVE BEEN CONDUCTING THEIR BUSINESS. THE BRITISH MAY BE TEMPTED TO FAN THE FLAMES OF THAT REVOLT TO DISTRACT ATTENTION FROM THEIR OWN POTENTIAL ISOLATION. MR. CALLAGHAN'S TASK, HOWEVER, IS TO SEAT HIMSELF FIRMLY AT THE TOP TABLE OF THREE. THAT IS THE ONLY PLACE FROM WHICH HE CAN HOPE TO CONTROL EVENTS.

THE SEASON OF SUMMITRY BEGAN WITH TO-ING AND FRO-ING FROM WASHINGTON -- A GOOD ROLE IN ELECTION YEAR. BUT NOW AT THE SEASON'S CLIMAX HE IS IN DANGER OF APPEARING AN ABSENT MEMBER OF THE TRIO.

IF SO HE WILL HAVE COMMITTED A FAMILIAR DOUBLE ERROR. NOT FOR THE FIRST TIME HAS A BRITISH PRIME MINISTER INVESTED TOO MUCH CAPITAL IN THE "SPECIAL RELATIONSHIP" WITH THE US AND NOT ENOUGH WITH THE ECONOMIC AND POLITICAL

POTENTIAL OF EUROPE.

IN SO FAR AS MR. SCHMIDT AND MR. GISCARD D'ESTAING ARE TEMPTED TO LEAVE MR. CALLAGHAN STANDING ON THE CURRENCY QUESTION THEY MIGHT THINK THIS AN APPROPRIATE REPRISAL FOR SOME OF THE AGGRAVATIONS THEY HAVE SUFFERED FROM THE BRITISH ON OTHER QUESTIONS. END QUOTE

2. THE FINANCIAL TIMES STORY, HEADLINED "EEC AGREEMENT ON STUDIES FOR NEW CURRENCY SCHEME", READS AS FOLLOWS: BEGIN TEXT EUROPEAN COMMUNITY HEADS OF GOVERNMENT HAVE AGREED TO PUSH AHEAD WITH STUDIES FOR A NEW EUROPEAN MONETARY SYSTEM THE FRENCH AND WEST GERMAN DELEGATIONS SAID LATE TONIGHT.

THE ANNOUNCEMENT FOLLOWED PRIVATE TALKS BETWEEN THE UNCLASSIFIED

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LEADERS OF THE NINE COMMUNITY COUNTRIES AT THEIR TWO-DAY SUMMIT.

FEW DETAILS HAVE BEEN REVEALED. THEY ARE EXPECTED TO EMERGE IN A DECLARATION BEING PUBLISHED AT THE END OF THE MEETING TOMORROW.

IT IS HOWEVER EMPHASISED THAT THERE WOULD BE NO QUESTION OF WATERING DOWN THE DISCIPLINE OF THE EXISTING EUROPEAN CURRENCY SNAKE BEFORE THE NEW MONETARY SYSTEM COMES INTO BEING.

THE NEW MONETARY SYSTEM IS BEING ACTIVELY SOUGHT BOTH BY CHANCELLOR HELMUT SCHMIDT OF WEST GERMANY AND PRESIDENT GISCARD D'ESTAING OF FRANCE. THE AIM IS TO CREATE A WIDER ZONE OF CURRENCY STABILITY IN EUROPE.

THE GERMAN CHANCELLOR HOPES THAT THE NEW SYSTEM CAN COME INTO BEING AT THE START OF NEXT YEAR. THE BRITISH HAVE SO FAR HAD GREAT RESERVATIONS ABOUT THE PLAN.

THE SIGNIFICANCE OF THE PRESENT DECISION IS THAT THEY ARE READY TO GO AHEAD WITH FURTHER STUDY OF THE NEW CURRENCY SYSTEM, WHEREAS BEFORE THIS HAD BEEN IN DOUBT.

UNDER THE NEW SYSTEM NOT ALL EUROPEAN CURRENCIES WOULD HAVE TO ENTER SIMULTANEOUSLY. THERE WOULD PROBABLY BE A HARD INNER CORE OF CURRENCIES KEEPING A CLOSE RELATIONSHIP WITH ONE ANOTHER AND AN OUTER CIRCLE OF OTHER CURRENCIES WITH WIDER FLUCTUATION BANDS.

IT IS EXPECTED THAT STERLING WOULD BE IN THE OUTER BAND, AND THE TIMING OF ITS ENTRY THERE WOULD BE A MATTER FOR THE DISCRETION OF THE BRITISH GOVERNMENT.

THE BRITISH GOVERNMENT'S RESERVATION STEMS FROM THE FACT IT IS LIKELY TO HAVE TO FIGHT AN ELECTION LATER THIS YEAR. IT HAS BEEN PARTICULARLY RETICENT ABOUT INVOLVING ITSELF IN ANY SCHEME WHICH COULD LAY IT OPEN TO ACCUSATION AT HOME THAT IT HAD SURRENDERED CONTROL OVER ITS ECONOMY TO ITS EEC PARTNERS.

HERR SCHMIDT HAS WANTED BRITAIN TO JOIN IN A

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GENERAL ENDORSEMENT AT THIS MEETING OF THE BASIC OUT-
LINES OF A CURRENCY SCHEME.

A MORE IMPATIENT ATTITUDE HAD BEEN ADOPTED BY
PRESIDENT GISCARD WHO IS KEEN TO SEE THE FRANC AGAIN
LINKED FORMALLY WITH THE EUROPEAN CURRENCY "SNAKE" AS
SOON AS POSSIBLE.

HE HAS TOLD CONFIDANTS DURING THE PAST FORTNIGHT
THAT DECISIVE MOVES MUST BE TAKEN RAPIDLY TO BRING ABOUT
GREATER CURRENCY INTEGRATION IN THE EEC, EVEN IF THIS
THREATENED TO BRING ABOUT A SPLIT IN THE COMMUNITY BY
EXCLUDING STERLING AND THE ITALIAN LIRE FROM A MONETARY
ARRANGEMENT.

HE IS SAID TO BE PUZZLED BY MR. JAMES CALLAGHAN'S

LUKEWARM RESPONSE TO THE CURRENCY PROPOSALS FIRST
ADVANCED BY HERR SCHMIDT AT THE COPENHAGEN SUMMIT IN
EARLY APRIL, AND APPARENTLY SUSPECTS THAT THEY ARE DUE
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TO BRITISH RELUCTANCE TO ABANDON THE RESIDUAL INTER-
NATIONAL ROLE OF STERLING.

AT THE START OF THE MEETING, WHEN THE LEADERS DIS-
CUSSED GENERAL ECONOMIC MATTERS PRESIDENT GISCARD SAID
THAT HIS GOVERNMENT WOULD BE PREPARED TO CONSIDER
APPLYING FRESH SHORT-TERM STIMULUS TO ITS ECONOMY BY
STEPPING UP PUBLIC SPENDING.

HE INSISTED, HOWEVER, THAT SUCH ACTION WOULD BE
CONDITIONAL ON THE U.S. AND JAPAN ALSO AGREEING TO MAKE
SUBSTANTIAL CONTRIBUTIONS TOWARDS PROMOTING WORLD
ECONOMIC RECOVERY DURING THE COMING MONTHS.

HERR SCHMIDT REMAINED UNMOVED BY RENEWED URGING TO
STIMULATE THE GERMAN ECONOMY.

SPECIFICALLY, HE REFUSED TO ACCEPT A COMMISSION
SUGGESTION THAT BONN INCREASE ITS DEFICIT SPENDING TO
THE EQUIVALENT OF 5.5 PER CENT OF GROSS DOMESTIC PRODUCT
FROM 4.5 PER CENT AT PRESENT.

PRESENTING THE PROPOSALS, MR. ROY JENKINS, COMMIS-
SION PRESIDENT, SAID IT WOULD RAISE THE GERMAN GROWTH
RATE BY BETWEEN 1 AND 1.5 PER CENT ANNUALLY. THIS WAS
DISPUTED BY HERR SCHMIDT.

THE COMMISSION BELIEVES THAT BRITAIN HAS ALREADY
MADE A SUBSTANTIAL CONTRIBUTION THROUGH ITS BUDGET
MEASURES THIS YEAR AND NEED TAKE NO FURTHER ACTION
IMMEDIATELY. END TEXT.

3. THE TIMES STORY, ENTITLED "EEC 'NEAR AGREEMENT ON
MONETARY SYSTEM'" READS AS FOLLOWS (A FEW PARAGRAPHS
REPETITIVE OF OTHER STORIES EXCISED):

BEGIN TEXT

"EUROPEAN COMMUNITY LEADERS HAVE REACHED EXTENSIVE
AGREEMENT ON A EUROPEAN MONETARY SYSTEM TO STABILIZE
CURRENCIES AND STRENGTHEN THE DOLLAR, LEADING OFFICIALS
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SAID EARLY TODAY.

"I AM VERY SATISFIED", HERR HELMUT SCHMIDT, THE WEST
GERMAN CHANCELLOR, SAID AFTER FOUR HOURS OF THE ECONOMIC
SUMMIT TALKS HERE, THAT BROKE UP ABOUT MIDNIGHT. "WE
WILL FINALIZE THINGS TOMORROW (FRIDAY) MORNING".
DR ARMIN GRUNWALD, THE WEST GERMAN SPOKESMAN, SAID

JANUARY 1 WAS THE TARGET DATE FOR INTRODUCING THE NEW SYSTEM TO PREVENT SHARP FLUCTUATIONS IN WEST EUROPEAN CURRENCIES ON EXCHANGE MARKETS.

UNTIL THE SYSTEM WAS PUT INTO OPERATION, THE EUROPEAN JOINT FLOAT OR "SNAKE", WHICH LINKS SIX CURRENCIES, WOULD CONTINUE IN BEING.

BUT TWO GOVERNMENT LEADERS, WHO WOULD HAVE TO TAKE UN-POPULAR ANTI-INFLATION MEASURES IN THEIR OWN COUNTRIES TO JOIN THE NEW SYSTEM, WERE MORE RESERVED IN THEIR COMMENTS:

"THERE IS NO NEW SYSTEM", MR. CALLAGHAN, THE BRITISH PRIME MINISTER, TOLD REPORTERS. "THERE WON'T BE FOR A LONG TIME. WE DIDN'T TRY TO GET AN AGREEMENT. YOU ARE GOING TOO FAR ... IT DEPENDS ON THE STUDIES TO BE MADE".

"OUR PARTICIPATION IS IN THE STUDY PHASE", SAID SIGNOR ANDREOTTI OF ITALY.

THE HEADS OF GOVERNMENT FOUND THEMSELVES IN SURPRISING AGREEMENT THAT SOMETHING MUST BE DONE TO CURB THE WASTE CAUSED BY THE EEC COMMON AGRICULTURAL POLICY.

MR. JAMES CALLAGHAN WAS NOT CHALLENGED WHEN HE DESCRIBED THE POLICY AS THE "CUCKOO IN THE NEST" GOBBLING 75 PER CENT OF THE RESOURCES AVAILABLE FROM THE EEC BUDGET. THE EUROPEAN COMMISSION WAS CHARGED WITH THE TASK OF PREPARING A THOROUGH REVIEW OF FARM SPENDING FOR DISCUSSION AT THE NEXT SUMMIT IN DECEMBER.

ALTHOUGH THE ISSUE WAS RAISED BY ITALY IT WAS SEIZED ON BY THE BRITISH WHO CONTEND THAT ANY MOVE TOWARDS CURRENCY UNION MUST BE LINKED TO A SUBSTANTIAL TRANSFER OF

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RESOURCES FROM THE STRONG TO THE WEAK REGIONS OF THE
COMMUNITY.

BRITAIN MAINTAINS THAT THE COMMON AGRICULTURAL POLICY
OPERATES PERVERSELY IN THIS RESPECT SINCE ALREADY RICH
COUNTRIES LIKE GERMANY GET MORE HELP FROM THE POLICY
THAN MANY OF THEIR WEAKER PARTNERS.

IT WAS APPARENT, EVEN BEFORE THE EEC SUMMIT GOT UNDER
WAY HERE THIS AFTERNOON, THAT SOME OF THE SMALLER MEMBER
STATES, LED BY THE DUTCH, WERE UPSET BY WHAT THEY CON-
SIDERED INADEQUATE CONSULTATION ON THE FRANCO-GERMAN
CURRENCY PLAN.

THESE ACCUSATIONS WERE VIGOROUSLY DENIED BY GERMAN
SOURCES, WHO SAID THAT LETTERS HAD BEEN SENT TO OTHER
EEC LEADERS AFTER THE CRUCIAL MEETING LAST MONTH IN
HAMBURG ON MONETARY AFFAIRS BETWEEN HERR SCHMIDT AND
PRESIDENT GISCARD. THESE LETTERS HAD BEEN FOLLOWED UP
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BY THE DISPATCH OF PERSONAL EMISSARIES.

THE DISCONTENT OF THE SMALL COUNTRIES WAS BY NO MEANS
UNWELCOME TO MR. CALLAGHAN, WHO HAS THE MOST DOUBTS
ABOUT THE SCHMIDT-GISCARD PLAN. THE PRIME MINISTER HAS
NO INTENTION OF BEING RUSHED INTO AGREEMENT ON AN
AMBITIOUS NEW CURRENCY SCHEME, AND HE WILL URGE THE NEED
FOR FULL DISCUSSION BY ALL THE NINE OF ITS IMPLICATIONS.

MR. CALLAGHAN SAID HE WAS PREPARED TO PLAY A CONSTRUCT-
IVE ROLE. BUT HE STILL HAD TO BE PERSUADED THAT ANY
NEW CURRENCY SCHEME WOULD BE DURABLE, WOULD MAKE A
GENUINE CONTRIBUTION TO MORE GROWTH, WOULD BE BACKED BY
SUFFICIENT RESERVES TO FEND OF SPECULATIVE ATTACKS AND
WOULD ALLOW REAL CHANGES IN ECONOMIC PERFORMANCE TO BE
REFLECTED IN PERIODIC EXCHANGE RATE ADJUSTMENTS.

THE MOST THAT CAN BE EXPECTED FROM THE MEETING LOOKS
LIKE BEING A DECLARATION OF INTENT BY THE NINE TO CON-
TINUE STUDYING VARIOUS SCHEMES WITHOUT COMMITTING THEM-

SELVES AT THIS STAGE TO PARTICIPATING IN ANY PARTICULAR
PLAN.

FOR THE GERMANS, THE MERE AVOIDANCE OF A FORMAL VETO
FROM ANY OTHER MEMBER STATE WILL BE CONSIDERED A SUCCESS.
THE MAIN PRIORITY FOR HERR SCHMIDT IS TO PREVENT OPEN
DISCORD AMONG THE NINE AHEAD OF THE WORLD ECONOMIC
SUMMIT IN BONN ON JULY 16 AND 17.

THERE ALSO APPEARS TO BE LITTLE CHANCE OF ANY FIRM
DECLARATION EMERGING FROM THE BREMEN MEETING ON THE
OTHER CRUCIAL SUBJECT OF WHAT ACTION SHOULD BE TAKEN TO
ACHIEVE MORE ECONOMIC GROWTH."
END TEXT

BREWSTER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, SUMMIT MEETINGS, PRESS CONFERENCES, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON10690
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: ALSO FOR USMTN AND USOECD
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780279-0174
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780786/aaaacusg.tel
Line Count: 615
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c15ee779-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2089331
Secure: OPEN
Status: NATIVE
Subject: BREMEN SUMMIT PRESS COVERAGE SUMMARY: THE FOLLOWING THREE ARTICLES ON THE BREMEN SUMMIT APPEARED IN THIS MORNING'S PAPERS. THE FIRST
TAGS: EFIN, PINT, ECON, UK
To: STATE TRSY MULTIPLE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/c15ee779-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014